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The Future of Free Trade Is on the Line with CAFTA

Republicans and Democrats need to embrace prosperity and vote yes on a measure once proposed by JFK

By Jack Kemp

Free trade once again is at a crossroads. Protectionist pressures are intensifying from all directions -- from labor unions and environmentalists, to powerful interest groups like the sugar industry, to pundits like Lou Dobbs, to xenophobes of the left and right, the ominous drumbeat of protectionism is growing louder and louder.

Last week the White House unfortunately succumbed to protectionist pressures on one key trade issue, reimposing import quotas on Chinese textiles. The Doha Round of global trade talks is stalled. The president's fast-track trade-promotion authority, which provides for a straight up-or-down vote on trade agreements, is set to expire next year and may prove very difficult to renew. The Central American Free Trade Agreement is the centerpiece of Bush's trade agenda for this term, and it is shaping up as a very difficult uphill fight in Congress. CAFTA is a must-win for the future of free trade and a "win-win" for our hemisphere.

Given the political controversy, you might assume that there is an underlying dispute among economists on the issue of free trade. There isn't. The theory has been settled for centuries, since David Ricardo's famous theory of comparative advantage demonstrated that trade allows each country to concentrate on doing what it does well, thus increasing wealth for both countries involved.

The overall economic benefits of free trade are clear as a matter of historical record. Global economic growth has accelerated dramatically over the last 50 years, coinciding with the liberalization of international trade. While the world economy has expanded rapidly, the benefits have not been evenly distributed. A study conducted by the Heritage Foundation and The Wall Street Journal over the past seven years found that countries that trade freely have had a much stronger economic performance than relatively closed countries.

Long term, trade benefits everyone. Yet there is no question that short term there is some temporary economic hardship for some people. As I've noted before, people live in the short term, and economists' charts are little consolation to the workers who lose their jobs because they are displaced by cheaper producers. The enemy of U.S. workers is the stupid tax and regulatory policies coming out of Washington that are strangling America's businesses' ability to compete in the global economy. This economic hardship must be addressed through training and education assistance, not protectionism.

CAFTA is a key test for the future of free trade because the arguments are even simpler than usual. About 80 percent of imports from the CAFTA countries already enter the United States without tariffs under the Caribbean Basin Initiative and the Generalized System of Preferences. The strongest opposition to the agreement comes from the politically influential sugar industry,

which has a racket where it donates millions of dollars to politicians in exchange for billions of dollars of taxpayer and consumer money.

Bush has stepped up his political efforts in the push for CAFTA, and both sides understand that this vote will be about much more than Central America. If a vote identified by the administration as the key trade vote for this term can't pass then no major trade deal can pass. We would have no credibility in ongoing multilateral trade talks, and Bush's ambitions for a Free Trade Area of the Americas would be dead on arrival.

With the future of free trade likely hanging in the balance, and with it our future prosperity, Republicans should fall in line behind the president. And considering that the vision for CAFTA was set down by John F. Kennedy's hemispheric "Alliance for Progress," pro-growth Democrats should put aside partisan politics and embrace free trade and prosperity by voting "yes" on CAFTA, too.

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